



PUBLIC UTILITIES COMMISSION

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MICHAEL R. PEEVEY
PRESIDENT

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January 13, 2005

Dr. Alan C. Lloyd
Secretary
California Environmental Protection Agency and
Chairman, Climate Action Team
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815

Subject: CPUC release of draft decision on greenhouse gas emissions cap

Dear Secretary Lloyd: *Alan*

As you are likely aware, I have personally committed to continuing and enhancing California's environmental legacy, and am particularly focused on addressing the issue of global climate change. I was very pleased that Governor Schwarzenegger's Executive Order S-3-05 set statewide greenhouse gas emission reduction targets and requested that the CPUC make efforts to meet the targets. While this Commission has instituted policy guidelines through the Energy Action Plans and is aggressively implementing the Renewable Portfolio Standard and energy efficiency programs, I seek to more fully integrate environmental risks and benefits through integrated supply- and demand-side resource planning.

Along those lines, I wanted to inform you that today I am releasing a draft decision for public comment on the "procurement incentive framework." If adopted, this decision would initiate the development of a load-based carbon emissions cap for regulated utilities and electric service providers. It is my intent that this effort be coordinated with existing energy programs with the goal of ensuring that the utilities are motivated to make the cleanest possible procurement choices considering all costs and benefits.

In addition, I intend that the Commission continue to coordinate closely with the Governor's Climate Action Team. I believe that this decision comports with the CAT's draft recommendations generally and with its recommendation for a CPUC "IOU electric sector carbon policy" strategy specifically. In my view, the decision issued today is one piece of the overall strategy for California's numerous climate change initiatives. In addition, I recognize and will strive to coordinate with the efforts underway in the northeastern states' Regional Greenhouse Gas Initiative, as well as other regional and international programs.

Dr. Allan C. Lloyd

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I agree completely with the Climate Action Team's economic analysis to date which finds that the overall impacts of the climate change emission reduction strategies are expected to be positive. Specifically, when the strategies already underway, as well as new strategies being proposed, are considered in total, the resulting impacts on the economy are expected to translate into economic growth for Californians.

I hope that other California energy utilities, such as the municipal utilities, will likewise be required to pursue clean energy policies and emissions reporting on par with those underway and proposed for the regulated utilities.

I look forward to continuing to work with you and the Climate Action Team on these important issues. The draft decision I issue today will be subject to public comment, and I would like to request feedback specifically from the Climate Action Team members. I am open to questions, comments, and suggestions to help improve our efforts and ensure that the CPUC activities are in close coordination with, and indeed an integral part of, those of the Climate Action Team.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike" followed by a stylized surname, likely "Peevey".

MICHAEL R. PEEVEY

President

Cc: All Climate Action Team members
CPUC Commissioners
CPUC Executive Director Steve Larson